
SUMMARY of the Article “A reform agenda” by Miftah Ismail, February 17th, 2024

The [article](#) addresses the challenges faced by the incoming government in Pakistan, emphasizing issues in fiscal management, human development, and governance. On the fiscal front, the country grapples with high inflation, a budgetary deficit exceeding 7% of national income, energy crises impacting industry and consumers, substantial foreign and local debt repayments, and a sluggish export sector. In the realm of human development, Pakistan struggles with alarming infant mortality rates, high female fertility rates, significant child malnutrition, a large out-of-school population, and widespread poverty. Governance concerns include an ineffective local government system, inefficient state-owned enterprises (SOEs), a cumbersome bureaucracy, prolonged court cases, and a beleaguered police force. The author proposes several reforms for the incoming government, including urgent population control measures, revisiting the National Finance Commission (NFC) award for balanced tax distribution, empowering local governments constitutionally, privatizing and regulating SOEs, reducing the government's overall footprint, cutting unnecessary ministries and divisions, direct cash transfers to citizens through social programs, implementing education vouchers for poor students, legal reforms for timely court decisions, and civil service reforms to enhance bureaucratic competence.

Easy/Short SUMMARY:

The article discusses challenges faced by the incoming government in Pakistan, highlighting fiscal, human development, and governance issues. Suggestions for reforms include urgent population control, balanced tax distribution, empowering local governments, privatizing and regulating state-owned enterprises, reducing



the government's size, cash transfers to citizens, education vouchers for poor students, legal reforms, and civil service improvements.

SOLUTIONS of The Problem:

Population Control Measures:

Implement urgent measures for population control to address the challenge of a rapidly growing population.

Revisit NFC Award for Balanced Tax Distribution:

Gradually increase the federation's share to 55% over five years in the National Finance Commission (NFC) award. Encourage provinces, districts, and divisions to collect their taxes for fiscal responsibility.

Constitutional Empowerment of Local Government:

Ensure constitutional empowerment of local governments, devolving responsibilities like education and health to the district or city level, and allocating funds directly from the federal divisible pool.

Privatization and Regulation of SOEs:

Initiate privatization and robust regulation of state-owned enterprises (SOEs), starting with entities like PIA and PSM, to enhance efficiency.

Reduction of Government's Footprint:

Reduce the government's overall size, including ministries and divisions, and delegate more functions to the private sector for improved efficiency.

Development Program Cutbacks for Cash Transfers:

Cut development programs to save money, redirecting the funds for direct cash transfers to citizens through programs like BISP, with a target of at least 1% of GDP.

Vouchers for Poor Students to Attend Private Schools:

Expand successful pilot programs providing vouchers to poor students to attend private schools nationwide.

Legal Reforms for Timely Court Decisions:

Implement legal reforms to ensure predictable and timely court decisions, preventing government excesses and facilitating foreign investment.

Civil Service Reforms:

Reform the civil service, focusing on specialization, promotion based on merit, and mandatory retirement for officials not meeting performance standards.

Additional Solutions for Pakistan's Challenges: A Comprehensive Approach

In navigating Pakistan's current challenges, our comprehensive solutions encompass a strategic vision for sustainable development. Our commitment to excellence is reflected in the following strategies:

1. Pioneering Population Control Initiatives for a Sustainable Future:

Emphasizing the urgency of controlling population growth, we propose a multifaceted approach involving awareness campaigns, accessible family planning services, and incentivized programs to stabilize population growth.

2. Optimizing Fiscal Distribution through NFC Award Revisions:

Proposing a nuanced adjustment to the National Finance Commission (NFC) award, we advocate for a gradual increase in the federation's share over five years to 55%. This recalibration ensures a balanced distribution of taxes, fostering fiscal responsibility at all levels.

3. Empowering Local Governance for Enhanced Services:

Advocating for constitutional empowerment of local governments, our proposal seeks to devolve responsibilities like education and health to the district or city level. Allocating funds directly from the federal divisible pool ensures effective service delivery.

4. Privatization and Regulation: A Paradigm Shift for SOEs:

Initiating a transformative journey, our plan involves the privatization and robust regulation of state-owned enterprises (SOEs). Starting with entities like PIA and PSM, this approach aims to enhance efficiency, accountability, and overall economic stability.

5. Streamlining Government Functions for Optimal Efficiency:

Advocating for a reduction in the government's overall size, including ministries and divisions, we propose delegating more functions to the private sector. This strategic move fosters improved efficiency, innovation, and responsive governance.

6. Redirecting Development Program Funds for Direct Citizen Impact:

In response to fiscal constraints, we suggest cutting back on development programs. Redirecting these funds towards direct cash transfers to citizens through programs like BISP, with a target of at least 1% of GDP, ensures tangible benefits for the populace.

7. Education Vouchers: Bridging Gaps for Underprivileged Students:

Building on successful pilot programs, our proposal promotes education vouchers for poor students to attend private schools nationwide. This targeted initiative addresses educational disparities, offering equal opportunities for a brighter future.

8. Legal Reforms: Fostering Timely and Predictable Court Decisions:

Recognizing the pivotal role of the judiciary, we advocate for legal reforms to ensure predictable and timely court decisions. This initiative curtails government excesses, facilitates foreign investment, and upholds the rule of law.

9. Civil Service Reforms: Cultivating Excellence and Meritocracy:

Underscoring the importance of an efficient bureaucracy, our plan involves civil service reforms. Specialization, promotion based on merit, and mandatory retirement for officials not meeting performance standards are vital steps towards cultivating a competent civil service.

10. Digital Transformation for Governance Efficiency:

Proposing a transformative shift towards digital governance, we advocate for comprehensive digital transformation initiatives. Integrate technology into government processes, services, and communications to enhance efficiency, transparency, and accessibility. Implement e-governance solutions, digital platforms for citizen services, and data-driven decision-making mechanisms. This digital paradigm aims to streamline operations, reduce bureaucratic hurdles, and foster a more responsive and accountable governance system for the benefit of all citizens.

11. Strengthening Healthcare Infrastructure:

Invest in healthcare infrastructure to provide better services and address issues related to infant mortality and health. Build more hospitals, clinics, and healthcare centers, ensuring accessibility for all citizens.

12. Technology Integration in Education:

Promote the integration of technology in education to enhance the learning experience. Develop online platforms, provide digital resources, and introduce e-



learning initiatives to improve educational outcomes.

13. Environmental Conservation Initiatives:

Implement environmental conservation programs to address climate change concerns. Encourage tree plantation drives, promote sustainable practices, and enforce regulations to reduce environmental degradation.

14. Enhancing Judicial Efficiency:

Introduce reforms to expedite judicial processes, ensuring timely and fair decisions. Invest in legal infrastructure, appoint more judges, and implement technologies to streamline court proceedings.

15. Youth Skill Development Programs:

Establish skill development programs for the youth to address unemployment and underemployment issues. Collaborate with industries to create vocational training opportunities and bridge the gap between education and employment.

16. Inclusive Economic Policies:

Formulate and implement inclusive economic policies that benefit all segments of society. Focus on poverty alleviation, wealth distribution, and create opportunities for small and medium enterprises.

17. Public Awareness Campaigns:

Launch extensive public awareness campaigns on population control, healthcare, education, and environmental conservation. Use various media channels to educate citizens and promote behavioral changes.

18. Strengthening Cybersecurity Measures:

Invest in robust cybersecurity measures to protect critical infrastructure and enhance national security. Develop frameworks, collaborate with international agencies, and create awareness about cyber threats.

19. Transparency and Anti-Corruption Measures:

Implement strict transparency and anti-corruption measures across government institutions. Strengthen accountability mechanisms, conduct regular audits, and ensure public funds are used efficiently.

20. Collaborative International Partnerships:

Forge strong partnerships with international organizations to garner support for economic development, healthcare, and education initiatives. Collaborate on research, share best practices, and attract foreign investments.

In conclusion, our holistic approach addresses the multifaceted challenges faced by Pakistan. By implementing these comprehensive solutions, we envision a future marked by sustainable development, social equity, and economic prosperity.

IMPORTANT Facts and Figures Given in the Article:

- Inflation rate exceeds 25%.
- Budgetary deficit is over 7% of national income.
- 58% of children under five are stunted or wasted.
- 26 million (40%) children are out of school.
- 39% of citizens live in abject poverty.
- State-owned enterprises (SOEs) lost around Rs700 billion last year.
- Printing presses have been actively used, resulting in the largest and longest episode of money printing in the economy.
- From May 2019 to March 2020, a strict IMF program was implemented, showing some policy coherence.
- In terms of population, 8 million babies are born every year.
- 63% of federal taxes go to provinces after the seventh NFC award.
- A brief period of policy coherence was observed from May 2019 to March 2020 during the strict IMF program.
- 58% of children under five are stunted or wasted.
- 26 million (40%) children are out of school.
- 39% of citizens live in abject poverty.

MCQs from the Article:

1. What is the proposed target for direct cash transfers to citizens through BISP or provincially-run programs?

- A. 0.5% of GDP
- B. 1.5% of GDP
- C. At least 1% of GDP**
- D. 2% of GDP

2. Which reform does the author consider the most important for long-term economic growth?

- A. Population control
- B. Privatization of SOEs
- C. Legal reforms
- D. Civil service reforms**

3. When did the loss of policy coherence start in Pakistan, according to the article?

- A. 2013
- B. 2015
- C. 2017**
- D. 2019

4. What is the author's stance on reimagining Pakistan at the moment?

- A. It is unnecessary.
- B. Reassembling Pakistan should precede reimagining.**
- C. Both should happen simultaneously.
- D. Reimagining is more important than reassembling.

5. What is the primary reason for the loss of policy coherence

in Pakistan after 2017?

- A. Lack of financial resources
- B. Inefficient bureaucracy
- C. Fractured executive decision-making**
- D. External pressures

VOCABULARY:

1. **Abject** (adjective) (بہت بُرا): Extremely bad, unpleasant, or degrading.
2. **Robust** (adjective) (مضبوط): Strong and healthy; vigorous.
3. **Devolve** (verb) (منتقل کرنا): Transfer or delegate (power) to a lower level, especially from central government to local or regional administration.
4. **Largesse** (noun) (سخاوت): Generosity in bestowing money or gifts upon others.
5. **Bureaucracy** (noun) (بوروکریسی): A system of government in which most of the important decisions are made by state officials rather than by elected representatives.
6. **Prolonged** (adjective) (طویل): Continuing for a long time or longer than usual; lengthy.
7. **Privatization** (noun) (پرائیویزیشن): The transfer of a business, industry, or service from public to private ownership and control.
8. **Voucher** (noun) (کوپن): A small printed piece of paper that entitles the holder to a discount or that may be exchanged for goods or services.
9. **Legitimate** (adjective) (مجازی): Conforming to the law or to rules.
10. **Fiscal** (adjective) (مالی): Of or relating to government revenue, especially taxes.
11. **Muster** (verb) (میل کرنا): Assemble (troops), especially for inspection or in preparation for battle.
12. **Bleak** (adjective) (خالی): (of an area of land) lacking vegetation and exposed to the elements.
13. **Beleaguered** (adjective) (دشمنوں سے گھیرا): In a very difficult situation.
14. **Indiscipline** (noun) (نہایتی): Lack of discipline or control.
15. **Dissolve** (verb) (تھکنا): Close down or dismiss (an assembly or official body).

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[A reform agenda](#)
Miftah Ismail

THE incoming government will take over at a very challenging time. On the fiscal side, we have inflation at more than 25 per cent, budgetary deficit at over 7pc of national income, energy costs and its frequent unavailability a millstone around the neck of industry and consumers, large foreign and local debt repayments that keep us close to the brink, and underwhelming exports.

In the human development area, we have one of the highest infant mortality and female fertility rates even among poor countries, 58pc of kids under-five are stunted or wasted, 26 million (40pc) children are out of school, 8m-plus babies born every year for whom we neither have schools nor teachers, and worst of all, 39pc of our fellow citizens living in abject poverty.

In terms of governance, we have a totally ineffective local government system — the government tier that interacts most with people and is supposed to provide

services — leaving our citizens without health, education and other basic services.

In fact, all areas of our governance are lacking in effective delivery. For instance, our state-owned enterprises (SOEs) lost around Rs700 billion last year, we have a bloated bureaucracy where there is no consideration of merit, cases linger in courts unresolved for decades, and our police aren't considered a service but a burden by the citizens.

All areas of our governance are lacking in effective delivery.

Given these persistent problems, here are some reforms the incoming government may undertake.

No other reform will succeed if we don't urgently undertake population control. The 8m babies being born every year will overwhelm every plan and resource we can muster. Moreover, no economy can prosper if 40pc of its people remain poor and illiterate, and the literate remain undereducated and unskilled.

Next, we need to tackle government financing. After the seventh NFC award, about 63pc of all federal taxes go to the provinces (including AJK, GB and former Fata), leaving the provinces with plenty of cash but the federation with not enough money to even cover its interest payments. The next NFC award must, gradually over five years, increase the share of the federation to 55pc and ask provinces, districts and divisions to also collect their own taxes. The idea that one government collects taxes and another gets to spend it is a recipe for fiscal indiscipline. Responsible federalism requires that not just authority to spend but responsibility to tax too is devolved.

Another reform should be constitutional local government empowerment that cannot be diluted at the whim of the provincial administration. This means education and health devolved to district or city level as appropriate, and police and infrastructure to the division and city level. It also means elected tehsil, district, city and division mayors who aren't removed until a successor is elected. Most importantly, these entities should be given funds directly from the federal divisible pool, on a predetermined formula, and they need not depend on the largesse of the provincial administration alone.

Also on the agenda should be reduction of the government's footprint. This would mean privatisation and robust regulation of all SOEs. It should start with PIA and PSM, already on the agenda, but must include all power and gas distribution and generation companies, and oil-producing and distribution companies. Necessary changes should be made in the law to allow for quicker privatisation (currently it requires at least 460 days to complete a transaction).

Our electricity and gas distribution companies are allowed profits on the totality of their assets, a formula which must be changed post-privatisation. The price these companies fetch will depend on what profits they are allowed post-privatisation. The government needs to carefully think about the new profit formula and how to divide the surplus profit, after improvements in bill collection and transmission and distribution losses that should accrue after privatisation, between consumers and companies. The ultimate objective of this privatisation should be the establishment of a wholesale market for electricity and gas and a substantial reduction in consumer prices and improvement in services.

Beyond the privatisation of SOEs, we need to also otherwise reduce the footprint of the government. This means, for instance, reduction of ministries and divisions, especially in the areas devolved by the 18th Amendment, and by giving more functions to the private sector.

For example, the Ministry of Food Security can easily be made into an office within the commerce ministry. Or the Ministry of Education, which runs schools in GB and Islamabad, should devolve those functions to the local jurisdictions and just set national curriculum standards for education across the nation. We can also dissolve the Trading Corporation of Pakistan and let the private sector import food commodities. Much of the rest of the world is able to provide food security to their people without a government company directly involved in trading and imports. The government's strategic storage of wheat and fertiliser is warranted. However, the government will be able to buy and store wheat and fertiliser more economically if it relied on the private sector.

Given the tight fiscal position, the federal and provincial governments need to cut their development programmes. The money saved can perhaps be given as direct cash transfer to citizens through BISP or provincially-run programmes, and their quantum should be increased to at least 1pc of GDP.

My favourite reform is to give vouchers to poor students to attend private schools. Sindh and Punjab have done successful pilot programmes in this area, and now this programme should be expanded nationwide to all poor children.

Perhaps nothing is more important for long-term economic growth than legal reforms that result in predictable and timely decisions by the courts. This will keep government excesses in check, facilitate foreign investment, and disallow elite interests from prolonging court cases to their benefits.

Finally, the best way to improve governance is to improve the competence of bureaucrats. Civil service reforms should include specialisation, promotion on merit, and mandatory retirement of officials not up to the mark.

If Pakistan is to compete with its peer countries and lift our people out of poverty, these reforms are essential. Otherwise we will just continue to drift.

The writer is a former finance minister.

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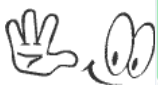
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